

Appendix 4C & Quarterly Activity Report for the period ended 31 March 2024¹

- Completed sales restructure to significantly reduce costs (net savings of approximately US\$6m on annualised basis) and increase the variability of the sales cost base. The benefit of these savings is expected during 2Q FY24 with a small proportion realised in the March quarter.
- 1Q FY24 Product Sales of US\$5.5m, up 19% on pcp with the 23% decline on 4Q FY23 reflecting the expected slowing in sales cadence due to the sales restructure which was outlined at the 4Q FY23 result. Sales growth is expected to return during 2Q FY24.
- 1Q FY24 Direct Product Sales of US\$4.3m, up 50% on pcp: 79% of product sales.
- 1Q FY24 Gross Margin of 79% showed continued improvement reflecting focus on revenue quality within the DME² (1Q FY23: 66%).
- Closing cash balance of US\$5.0m (31 Dec 2023: US\$9.2m) and no debt.
- Reaffirm FY24 guidance for revenue of US\$36m-40m and to be EBITDA and cashflow positive in 2H FY24.

Next Science Limited (ASX:NXS) (“Next Science” or “the Company”) today provides a business update and quarterly cashflow report for the quarter ended 31 March 2024.

Next Science is a medical technology company focused on commercialising its proprietary XBIO™ suite of products to reduce the impact of biofilm-based infections in human health.

Next Science’s CEO and Managing Director I.V. Hall said: “As flagged at the 4Q FY23 result in January, the March quarter has been an important time for Next Science as we restructured our sales team and transformed our go-to-market strategy. At the beginning of 2024, we consolidated our sales leadership, reducing headcount and implemented a unified field strategy to meet customer demand for access to our entire product suite.³ This is important because it will drive efficiencies from the top down and maximise revenue potential within our existing customer base.

“At the same time, we have been looking at how to maximise customer opportunities within our sales territories to deliver better topline growth and create a more productive sales force. As a result, we have restructured the DME sales force converting some of the team from direct

¹ Unaudited financial information

² In October 2022, Next Science established itself as a Durable Medical Equipment (DME) provider to sell BLASTX™ in combination with topical collagen products. Refer to ASX announcement on 19 October 2022.

³ Previously, Next Science had separate wound care and surgical sales teams.

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to agency reps, also known as 1099s.⁴ This will lead to a more flexible and expandable sales force and ensure deeper penetration of key territories. It is expected to deliver significant cost savings, increasing the variability of our cost base and enhancing our ability to successfully scale. We expect sales growth to return in 2Q FY24.

“During the quarter, direct sales of XPERIENCE™ continued to show improvement due to the publication of several clinical studies by leading orthopaedic surgeons, the expansion within our GPO footprint and extension of the use case from high risk to prophylactic use.

“As a Board and management team, we are focused on achieving significant topline growth in FY24 and an EBITDA and cashflow positive position in the second half. We draw confidence from the strong foundation for future growth that we have put in place during 1Q FY24 as well as the improvement in our cash burn as we exited the quarter.”

FY24 Guidance Reaffirmed

The changes outlined above are expected to improve the productivity and efficiency of the sales team while also reducing the cost base and increasing its variability. As a result, Next Science reaffirms its guidance for FY24 revenue of US\$36m-\$40m and continues to expect to be EBITDA and cashflow positive in 2H FY24.

The Company believes it has sufficient working capital to meet its obligations. However, Next Science is exploring funding options to provide a buffer against unexpected financial challenges as well as provide flexibility should investment opportunities arise.

DME Restructure to Create a More Productive Sales Force

In October 2023, Next Science introduced new metrics and analytics to better assess the performance of its sales force with a focus on productivity and market share gain in a given territory. This assessment was conducted through the purchase of market data of customers and prescriptions of the procedures that use the Company’s products. The analysis of this data showed a significant improvement in revenue quality which was offset by suboptimal salesforce coverage of existing territories resulting in poor productivity and customer penetration. These findings have led to a change in the DME business strategy resulting in the restructure of the DME salesforce and transition to a more variable cost model.

The sales restructure will enable Next Science to focus on broader coverage of territories not only for the DME but also for sales of BLASTX™ as a standalone product. The transition to a more variable cost model will be achieved by converting the majority of our full time W2s to 1099 independent agents. The reduction in headcount associated with the sales leadership consolidation resulted in some territories being left open in 1Q FY24. These are expected to be filled with 1099s during 2Q FY24.

⁴ Direct sales representatives are full time employees of Next Science while agency representatives also known as 1099s are independent sales reps who earn commissions based on what they sell resulting in a more variable cost structure.

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The transformation of Next Science's go-to-market strategy has resulted in annualised net cost savings of US\$6M. The benefit of these savings is expected to be realised during 2Q FY24.

During the quarter, Next Science continued to make improvements to the DME offering by adding payors,⁵ updating marketing materials and using analytics to better target customer penetration and territory optimisation. The Company's focus on revenue quality within the DME was a significant driver of the steady increase in gross margin which was 79% in 1Q FY24 compared to 66% in 1Q FY23 and 73% in FY23.

CollagenX - R&D Project Evaluation

Following the establishment of the DME structure in October 2022, Next Science has been considering the integration of its XBIOTM technology and Collagen into one product and the possible submission of a 510(k) application to the FDA for the integrated product.

A comprehensive cost benefit analysis has now concluded that there is no additional benefit from the integrated product due to the limited reimbursement eligibility. As a result, Next Science has decided not to pursue an FDA application for this product.

1Q FY24 Financial Summary

1Q FY24 product sales of US\$5.5m were 19% higher on pcp due to higher DME and direct sales of XPERIENCE™ but 23% lower on Q4 FY23 due to the short-term impact of the sales restructure as highlighted at the 4Q FY23 result. Next Science expects to return to sales growth during 2Q FY24.

Direct channel product sales of US\$4.3m in 1Q FY24 were up 50% on pcp and accounted for 79% of total sales (1Q FY23: 63%). Direct Product sales were 24% lower compared to Q4 FY23 as 1Q FY24 sales cadence was affected by the sales leadership consolidation and change in go-to-market strategy.

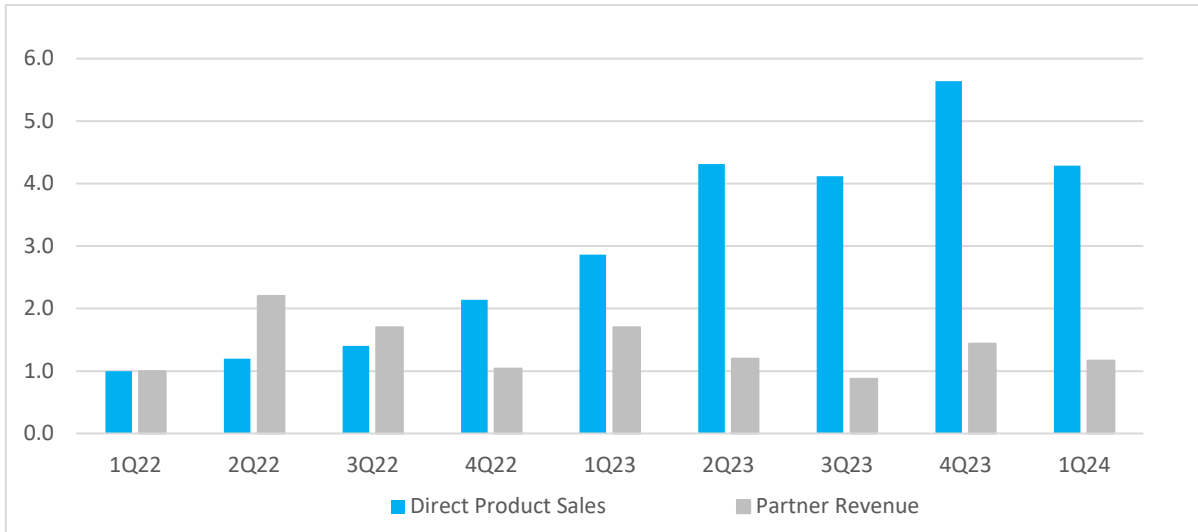
The Wound Care segment was impacted in the March quarter with DME sales down 34% on 4Q FY23 and direct sales of BLASTX™ down 29% over the same period. This was largely due to the disruption caused by the sales restructure which affected DME sales but also extended to commercial BLASTX™ sales that are also handled by this team.

The Surgical business had a stronger quarter with direct sales of XPERIENCE™ up 49% on pcp and up 9% on 4Q FY23. This reflected the growing body of clinical evidence available and broader access to healthcare sites provided by the GPO contract.⁶

⁵ At the end of March 2024, the DME had 92 payors. It is important to note that each payor is very different in its ability to impact revenue.

⁶ On 1 August 2023, Next Science entered into an agreement with leading Group Purchasing Organisation (GPO) HealthTrust to provide its members with access to XPERIENCE™. The US-based organisation serves 1,600 hospitals and 43,000 alternate sites of care including ambulatory surgery centres, physician practices and long-term care centres.

Chart 1: Direct channel impacted by sales restructure in 1Q FY24 (US\$m)



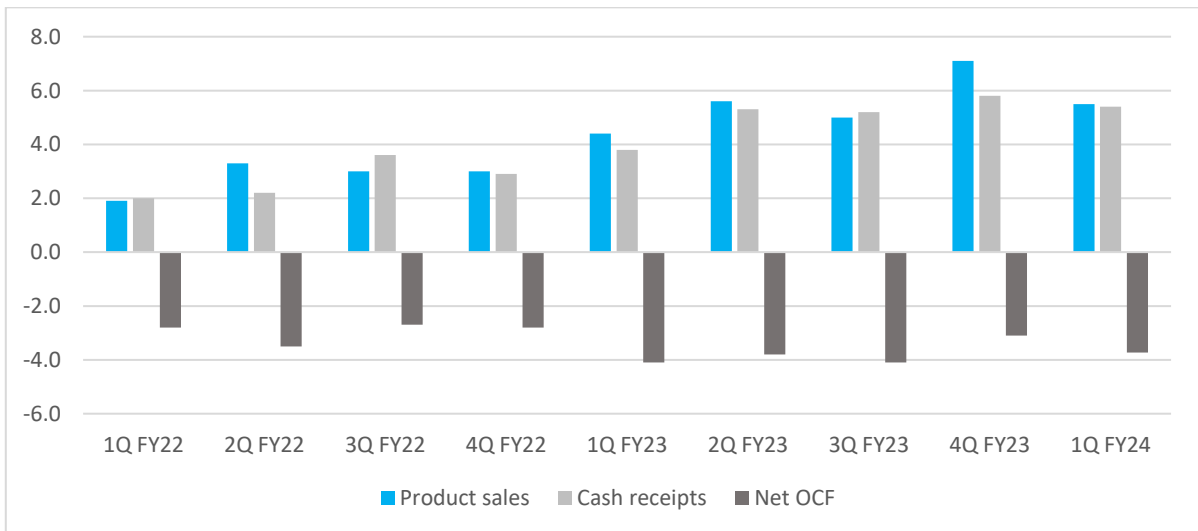
1Q FY24 Cashflow Summary

Cash receipts for the quarter of US\$5.4m were 42% higher vs pcp (1Q FY23: US\$3.8m) and 7% lower compared to 4Q FY23 (US\$5.8m).

Net operating cash outflows of US\$3.7m in 1Q FY24 compared to outflows of US\$4.1m in 1Q FY23 and US\$3.2m in 4Q FY23. Cash burn improved as the Company exited 1Q FY24 reflecting the cost out initiatives implemented during the quarter.

At 31 March 2024, Next Science had cash on hand of US\$5.0m and no debt (31 December 2023: US\$9.2m).

Chart 2: Quarterly Cashflow Performance (US\$m)



Refer to the Appendix 4C accompanying this update for details of the Company's expenditure on its business activities during the quarter.

Payments to Directors were US\$210k in the March quarter.

Clinical Study Update

During 1Q FY24, the results of several clinical studies involving XPERIENCE™ and BLASTX™ were released in either peer-reviewed journals or on VuMedi, a video education platform for doctors.

- *Periprosthetic Joint Infection Study* - Recruitment for the 7,600-patient study into Periprosthetic Joint Infection (PJI) through the Ottawa Hospital Research Institute in Canada (Canada PJI study) resulted in 402 patients enrolled in the first site (as at 17 April 2024; 4Q FY23: 261). Two further sites which commenced recruitment during the March quarter have enrolled 69 patients (combined). A fourth site is expected to start recruiting in the June quarter with another five sites pending completion of contracts.⁷
- *Retrospective Post Operative Infection Rates* – On 18 April 2024, Next Science announced the publication of a study by Dr Robert Harris MD in the *Journal of Orthopaedic Surgery* showing that XPERIENCE™ was efficacious in preventing periprosthetic joint infection (PJI) in primary Joint Arthroplasty procedures. The findings of the retrospective study first appeared on VuMedi in November 2023.
- *Retrospective Post Operative Infection Rates* – On 17 April 2024, Next Science announced the release of preliminary results from two retrospective studies by Dr Ravi Bashyal MD which showed zero percent infection rate when using XPERIENCE™ in over 1,400 consecutive knee (TKA) and hip (THA) arthroplasties. These findings were discussed by Dr Bashyal in a video posted on the VuMedi platform.
- *Retrospective Post Operative Infection Rates* – On 16 April 2024, Next Science announced the publication of a study by Dr Ronald Singer MD in the *Journal of Surgical Infections* which showed significant efficacy in reducing infection when XPERIENCE™ was used in total knee arthroplasty (TKA).
- *Negative Pressure Wound Therapy (NPWT) and BLASTX™* – On 9 April 2024, Next Science announced the publication of a study by Dr Thomas E. Serena MD et al. in *Diagnostics*, an international peer-reviewed journal which found BLASTX™ to be efficacious in the treatment of pressure ulcers when used in conjunction with NPWT.

⁷ This clinical trial (prospective, multi-centre, double-arm, parallel, interventional, randomised, controlled) will assess the rate of periprosthetic joint infection (<90 days post-surgery) in patients undergoing primary total knee arthroplasty, total hip arthroplasty or hip resurfacing (HR) with XPERIENCE™ Advanced Surgical Irrigation versus dilute Betadine.

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1Q FY24 Investor Webinar

CEO and Managing Director, I.V. Hall and CFO, Marc Zimmerman, will host a zoom webinar including a Q&A session with the investment community at **8.15am (Sydney time) today, 24 April 2024.**

Please use the link below to register for the webinar.

https://zoom.us/webinar/register/WN_0O35CW8QsGkT0r3F11Z9w

Investors can submit questions prior to the webinar to fdixon@nextscience.com or ask questions via the Q&A function during the webinar.

Approved and authorised for release by the Board of Directors.

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About Next Science

Next Science is a medical technology company headquartered in Sydney, Australia, with a research and development centre in Florida, USA. Established in 2012, the company's primary focus is on the development and continued commercialisation of its proprietary XBIO™ technology to reduce the impact of biofilm-based infections in human health. XBIO™ is a unique, non-toxic technology with proven efficacy in eradicating both biofilm-based and free-floating bacteria. Next Science owns 100% of the patent protected intellectual property relating to its XBIO™ technology. For further information visit: www.nextscience.com

Forward looking statements

This announcement may contain forward looking statements which may be identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may" and other similar words that involve risks and uncertainties. Such statements are not guarantees of future performance and involved known and unknown risks uncertainties, assumptions and other important factors, many of which are beyond the control of Next Science or its Directors and management and could cause Next Science's actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Next Science Limited

ABN

47 622 382 549

Quarter ended ("current quarter")

Mar 2024

Consolidated statement of cash flows	Current quarter \$USD'000	Year to date (3 months) \$USD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,406	5,406
1.2 Payments for		
(a) Research, development & regulatory	(339)	(339)
(b) product manufacturing and operating costs	(1,395)	(1,395)
(c) sales related expenses, advertising and marketing	(1,156)	(1,156)
(d) leased assets	-	-
(e) staff costs	(5,126)	(5,126)
(f) administration and corporate costs	(1,144)	(1,144)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received and bank cash back rewards	21	21
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	4	4
1.9 Net cash from / (used in) operating activities	(3,729)	(3,729)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(6)	(6)
(d) investments	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (3 months) \$USD'000
	(e) intellectual property & intangible assets	(97)	(97)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	2	2
2.6	Net cash from / (used in) investing activities	(101)	(101)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(60)	(60)
3.10	Net cash from / (used in) financing activities	(60)	(60)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,239	9,239
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,729)	(3,729)

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (3 months) \$USD'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(101)	(101)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(60)	(60)
4.5	Effect of movement in exchange rates on cash held	(379)	(379)
4.6	Cash and cash equivalents at end of period	4,970	4,970

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$USD'000	Previous quarter \$USD'000
5.1	Bank balances	4,970	9,239
5.2	Term deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,970	9,239

6.	Payments to related parties of the entity and their associates	Current quarter \$USD'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	210
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$USD'000	Amount drawn at quarter end \$USD'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$USD'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,729)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,970
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	4,970
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.3
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
No. Restructuring within the sales channel disrupted sales in Q1 with the cost benefits substantially trailing into Q2.	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Next Science carefully monitors its cash position. Next Science anticipates that the recently executed restructure will provide the foundation to improve future cashflows. The Company believes it has sufficient working capital to meet its obligations. However, the Company is exploring funding options to provide a buffer against unexpected financial challenges as well as flexibility to pursue investment opportunities should it wish to do so.	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Yes. Next Science anticipates the sales channel restructure to drive higher revenue in conjunction with a lower cost basis, allowing for improved cashflows.	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

24 April 2024

Date:

Board of Directors

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.